



Air Force Space Command and National Defense Industrial Association Forum on Acquisition

Acquisition and the Services Community

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Objectives

- Review parameter under which services/O&M companies operate
- Show effects of Government actions on costs and our willingness to bid
- Provide understanding of industry's service delivery rate structures



Services / O&M Parameters

- Margins in service/O&M contracts are lower than development
 - Must maintain low overhead and indirect costs
 - Little or no money for investment, IR&D, etc
 - Limited B&P funds – one year dollars
 - No standing army of proposal folks
- Contract durations and values are also shorter
 - Faster & more frequent bid cycles
 - Continually defending incumbency
 - Typically many bidders

We live in a dollar constrained world. If we can't make a case for a bid with high Pw and reasonable entry costs, we won't bid.



Effects of Government Actions

- Phase 1- Identification / Preparation
 - Internal company competition for limited Bid & Proposal dollars
 - Limited information flow may delay identification to decision makers
 - Filtering process must sort through a long list of opportunities
 - Customers typically at Wing level – much harder to get access

Without timely information flow, the assigned marketing person may not win the battle for B&P dollars. The Government loses a potential bidder.



Effects of Government Actions

- Phase 2 - Qualification
 - Teammates are more interested if positive bid decision is made early
 - Limited information flow may cause us to not be able to convince bosses to give initial bid decision
 - Delays cost us our standing on the priority list for B&P and resources

**Lack of good information will result in a delayed decision which usually means no bid.
Government loses a bidder.**



Effects of Government Actions

- Phase 3 – Pre-Proposal
 - Access to a meaningful bidders library is critical
 - Access to “workers” helps us understand the environment
 - FOIA’d contracts available quickly
 - Government vision clearly stated -- allows for innovation and differentiation.
 - Site tours allow questions and time for observations
 - A firm schedule allows for resource planning

Lack of information or schedule slips at Phase 3 start to really impact cost, availability of resources (people, proposal rooms, production, etc), quality of proposal and even bid decisions.



Effects of Government Actions

- Phase 4 – Proposal
 - RFP released just before Holiday
 - RFP doesn't look like draft
 - Slips in RFP & amendments impact proposal team, facilities cost dollars and affects internal company schedule for other efforts

At this point, changes and slips cost more money - Rate increase?? Impact other bids which impacts growth which impacts Board of Directors & Wall Street which impacts

MY JOB



Effects of Government Actions

- Phase 5 – Post Proposal
 - Leveling playing field with ENs means best value equals low price
 - Numerous rounds of ENs mandates keeping team together longer
 - Open EN discussions means questions are answered first time

Good, open information exchange at EN time will result in better answers and fewer future rounds of ENs. A good, open exchange from day one could mean award without discussion.



Effects of Government Actions

- Phase 6 – Transition / Phase-In / Pre-Start-Up
 - We won and I'm still employed!!!
 - Transition starts 15 Dec and Government counterpart is on leave
 - Information flow stops
 - May need help with ASCON Agreements

An action transferred is not an action completed. Transition/ phase in is a time to work closely so all concerns are address. We don't want you to do our job but we want to know your concerns, needs, etc.



Service Company Rates

		Fee (Profit) 6-8%	} Contractor Rates that Gov't Pays Assumes Wrap Rate 1.5
		G&A 4-6%	
B&P	→	Facilities (If off Base) (Assume on base)	
Indirect Expenses	→	Labor Overhead 35-45% (Benefits and Operation Expenses)	
		Employer Salaries (Direct Labor) 100%	

If a bidder has a much lower price than others, they may have the perfect answer or be cutting corners to buy in. Remember:

If a bidder has a much lower price than others, they may have the perfect answer or be cutting corners to buy in. Remember:

- Low benefits/salaries = unhappy employees, high turnover - technical risk
- Low fee could affect willingness to voluntarily go the extra mile
- Low fee negatively impacts customer/user leverage to get contractor attention

We all strive to do good -Past Performance is our future. However, hold our feet to the fire for what we bid



Summary

- Industry and the Government are in the proposal process together
- Communication is critical in every phase of proposal development – both ways
- The goal of every contractor is to do an Excellent Job since that is our future.
- You are one of the keys to our performance and contract success